DOCUMENT RESUME

ED 228 970 HE 016 212

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TITLE The Effects of Phasing Out Social Security Student Benefits.
INSTITUTION David Paul Rosen & Associates, Oakland, CA.
SPONS AGENCY National Commission on Student Financial Assistance, Washington, DC.
PUB DATE Mar 83
NOTE 48p.
PUB TYPE Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *College Students; *Dependents; Family Income; *Federal Aid; Federal Legislation; Higher Education; Participant Characteristics; Public Policy; *Retrenchment; *Student Financial Aid
IDENTIFIERS *National Comm on Student Financial Assistance; Pell Grant Program; *Social Security Benefits

ABSTRACT

Aspects of the student benefit program under the Social Security Act and the consequences of phasing out the program are considered. The 1981 Omnibus Budget Reconciliation Act phases out the Old Age, Survivors and Disability Insurance (OASDI) student benefit program under the Social Security Act. The OASDI was one of the largest programs offering cash assistance to college students. The program encouraged school completion by providing benefits to dependent children of retired, disabled, or deceased workers. In recent years, debate has centered on whether Social Security student benefits should be considered aid, or benefits earned by the parent. While the non-means tested nature of Social Security student benefits has been criticized, available data on the relationship between family income and Social Security student benefit amount show that these benefits remain largely constant as income increases. The effect of eliminating Social Security student benefits along with current reductions in federal student financial aid programs on the ability of low income students to attend college is questioned. Attention is directed to the calculation of student benefit amounts, data on participants, and the interaction of OASDI and Title IV student assistance, particularly Pell Grants. (SW)

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ED228970

# THE EFFECTS OF PHASING OUT SOCIAL SECURITY STUDENT BENEFITS

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MARCH, 1983

Submitted to the National Commission on Student Financial Assistance
412 First Street SE
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202-472-9023

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INTRODUCTION

On August 13, 1981 President Reagan signed into law the 1981 Omnibus Budget Reconciliation Act (OBRA, P.L. 97-35). This law phases out the Old Age, Survivors and Disability Insurance (OASDI) student benefit program under the Social Security Act. OASDI benefits was one of the largest programs offering cash assistance to college students. OASDI program cost estimates for Fiscal Year 1981 ranged from $2.0 billion to $2.4 billion, enrolling as many as one million students. Pell Grants by comparison provided $2.4 billion in cash assistance to 2,707,932 students in 1980-81 (source: OSFA, U.S. Department of Education).

Despite the program's size and importance, and despite substantial controversy over the non-means tested nature of the program, very little is known about the program and its participants, let alone the effects on college opportunity for these students of eliminating OASDI student benefits. This paper attempts, with the available data and their limitations, to answer a number of questions regarding Social Security student benefits, and to specify the consequences of phasing out the program. It is organized in six parts:

I. Program Purpose
II. Benefits
III. Participants
IV. Delivery
V. The Interaction of OASDI and Title IV Student Assistance
VI. Effects on College Opportunities of Phasing Out OASDI Student Benefits

I. PROGRAM PURPOSE

The 1939 Social Security Amendments extended program benefits to wives and "dependent" children of retired and deceased workers. Unmarried children were eligible until their sixteenth birthday. Children up to the age of 18 were eligible if attending school full-time. The student requirement was dropped in 1946. Any child up to 18 received benefits in families with a deceased or retired wage earner. The 1956 Social Security Amendments extended benefits to children under the age of 18 for disabled workers, at the same time Social Security disability benefits were extended to the disabled worker. The 1956 Social Security Amendments extended payments to children of retired, disabled or deceased workers up to the age of 22 if they attended school full time and did not marry. In 1982, Congress extended eligibility past the student's twenty-second birthday, to allow students to complete their current term without suffering the loss of the monthly benefit. 21 percent of student beneficiaries in 1977-78 were enrolled in a high school program. The remaining 79 percent were enrolled in some form of postsecondary education.[1] This program is formally known as the Old Age, Survivors and Disability Insurance (OASDI) program for student beneficiaries. This profile will refer to the program as Social Security student benefits, a more commonly used term.

The House Ways and Means Committee Report to the 1965 Amendments stated the rationale for the program:

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[1]Government Accounting Office, Social Security Student Benefits for Postsecondary Students Should Be Discontinued, August 30, 1979, p. 5.

> The committee believes that a child over 18 who is attending schoool full time is dependent just as a child under 18 or a disabled older child is dependent, and that it is not realistic to stop such a child's benefit at age 18. A child who cannot look to a father for support (because the father has died, is disabled, or is retired) is at a disadvantage in completing his education as compared with the child who can look to his father for support. Not only may the child be prevented from going to college by loss of parental support and loss of his benefits; he may even be prevented from finishing high school or going to a vocational school. With many employers requiring more than a high school education as a condition for employment, education beyond the high school level has become almost a necessity in preparing for work . . . . Providing benefits up to age 22 would mean that for many children benefits could continue for the time it takes to complete a four-year college course.[2]

It was the clear intent of Congress that Social Security student benefits not be provided as educational assistance.

> . . . but to recognize the continuing dependence of a child beyond the normal age of majority because he is attending school full time. Thus, the amount of the benefit payable was related only to the amount of earnings lost due to the death, disability or retirement of the parent and not related to the actual costs incurred in attending school or the amount of other income available to the family.[3]

The program extends the traditional Social Security protection of a child of a wage-earner who can no longer support the family. It was intended to provide a steady, predictable, year-round income when

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[2]U.S. House of Representatives, Ways and Means Committee, 1965, quoted in Nancy Miller, Education and Public Welfare Division, Congressional Research Service, "Social Security Student Benefits," Issue Brief No. IB81030, October 26, 1981, p. 2.

[3]Miller, op. cit., p. 2.

the child is not expected to be fully self-supporting. Apart from its central purpose of income security, it was also clearly intended to encourage school completion at the student's desired level. The basic purpose of Social Security is to provide a measure of insurance of earnings by disability, retirement or death. Springer offers a perspective on Social Security as a form of social insurance to protect the wellbeing of the family:

> Considered in their entirety, these programs provide a broad spectrum of insurance to protect the family, normally dependent on a worker's earnings, from the consequences expectable when those earnings are lost: privation, dissolution of the family, wardship of society. As a social institution, the Social Security program ensures continuity of the basic social unit--the family--when the economic base of the unit's existence, earnings, is lost.[4]

Nine out of ten Americans, 110 million ciizens, pay Social Security taxes. The 1981 Social Security tax rate was 6.65 percent of the first $29,700 paid up to a maximum of $1,975 per year. The rate will rise to 7.65 percent in 1990. Unlike federal income tax rates, which vary according to income level, Social Security taxes are levied at a fixed rate, up to a fixed maximum annual payment.

In recent years, substantial controversy has surrounded the program. The debate has centered on whether Social Security student benefits should be considered student aid, or benefits earned by the retired, disabled or deceased parent. GAO has argued tnat the program is indeed student aid, that it duplicates aid available from programs administered by the Department of Education, tnat it is

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[4]Philip Springer, Office of Research and Statistics, SSA, "Characteristics of Student OASDI Beneficiaries in 1973: An Overview, "Social Security Bulletin, November 1976, p. 2.

inequitable because it is not means-tested or related to college costs, that its 1965 conception of "dependent student" has become outdated, and that the program should be terminated for postsecondary students. Representatives of higher education associations in Washington have argued that the program's benefit cannot be largely replaced by federal student financial aid programs, that the benefit has been earned by the student's parent, and that the program in practice is predominantly need-based, since most benefits go to low and moderate income students. Both Presidents Carter and Reagan proposed eliminating the program. The Reagan Administration proposal was adopted by Congress in the 1981 Omnibus Budget Reconciliation Act (OBRA). This action is discussed below in Effects on College Opportunities. Bandler sumarizes the different purposes of student aid programs and OASDI student benefits:

> Educational aid programs--grants, loans, and work-study--supplement low family income to make up a part of the deficit in meeting educational costs during the school year. Like other means-tested programs, the educational aid programs count all family income, including social security benefits, to determine eligibility and amount of aid. Annual reapplication is necessary, and frequently a complex and uncertain process.
>
> By contrast, the student benefit is an insurance program which all workers covered--and taxed--by social security provide for their children so that in the event of retirement, disability or death, there will be predictable benefits for the child to continue education. The benefits are based on past parental earnings, not on a portion of school costs; they are paid for the full year, not the academic year, and are considered a part of family income, not an educational grant. The absence of a means-test is essential for a program that covers

all workers. A universal program avoids the dilemmas of disqualifying families who are just above an income maximum, who have special financial needs, or who are faced with unpredicted expenses.[5]

## II. BENEFITS

The calculation of Social Security student benefit amounts is summarized below:

> The amount of the student benefit is related to the parent's entitled benefit amount, which in turn is based on the past earnings level. (The parent's benefit, or primary benefit, replaces a portion of past earnings, with low earners receiving a larger wage-replacement than high earners. The earnings level, it should be noted, is also the basis for the past social security taxes paid by the worker and the employer.) Children of retired and disabled beneficiaries receive 50% of the parental benefit and children of deceased workers receive 75%, a higher percentage since the parent is dead and therefore not receiving the parental benefit. Total family benefits are limited by a statutory maximum, ranging from 150% to 188% of the parent's primary benefit. (To maintain the benefit-wage replacement principle, families of low earners receive a smaller family maximum than families of high earners, because the primary benefit is already heavily weighted for low earners.) All benefits are automatically updated to reflect cost-of-living increases.[6]

OASDI Student beneficiaries have their benefit rates adjusted to fall within the "family maximum" benefit. Adjustment is required whenever the total monthly benefits of all beneficiaries on a single Social Security earnings record exceed the family maximum

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[5]Jean T. D. Bandler, "The Threat to Social Security Student Benefits," Study Group on Social Security for Families, Children and Youth, Fact Sheet No. 3, March 1979, p. 6.

[6]Ibid, p. 2.

that can be paid on that account. Proportional adjustments are made for all beneficiaries. These may not result in a reduction of the family's total monthly benefit amount, depending upon family size. Thus, the loss of OASDI student benefits to one family member will result in an actual lowering of the entire family's benefit only for small families. Those families with additional dependent beneficiaries will likely maintain their overall benefit level, as the table below indicates. However, for families with a single student beneficiary and not other dependents, the loss of Social Security student benefits represents a real loss of support which cannot be replaced by other dependent beneficiaries.

SAMPLE ADJUSTMENTS TO FAMILY OASDI BENEFITS

| | Original benefit | Adjusted for the maximum | Adjustment when benefits not payable to one child | Adjustment when benefits not payable to two children |
|---|---|---|---|---|
| Insured person | $300.60 | $300.60 | $300.60 | $300.60 |
| Spouse | 150.30 | 58.70 | 78.20 | 117.30 |
| First chiled | 150.30 | 58.70 | 78.20 | 117.30 |
| Second child | 150.30 | 58.70 | 78.20 | 0.00 |
| Third child | 150.30 | 58.70 | 0.00 | 0.00 |
| Total | $901.80 | $535.40 | $535.20 | $535.20 |

Note that the total benefits payable to the family group are not necessarily reduced when monthly benefits are not payable to one member of the family group.

SOURCE: SSA, Social Security Handbook, 1982, p. 118.

Bandler notes benefit levels for recent years:

> The regular monthly benefits are paid on a year-round basis; they are predictable amounts tnat permit planning and budgeting. In 1977, the median range of student benefits was $125-$166 a month. In 1978, the average monthly benefit was:
>
> $200 for children of deceased workers
> $138 for children of retired workers
> $113 for children of disabled workers[7]

The Congressional Research Service (CRS) reported that monthly benefits in December 1980 were $256, or $3,072 per year, based on full payment over twelve months.[7] Prior to OBRA, OASDI student benefits were paid year round, regardless of school vacation periods, as long as the student reports the intention to enroll in the next term, and does in fact enroll. OBRA eliminates the payments for current beneficiaries during the summer months--May through August. Benefits under the program may extend for four years, once the student attains the age of eighteen. The Social Security Administration (SSA) reported from 1972-73 data that the median duration of entitlement for student benefits was 46 months, and that the median cumulative benefit, that is the amount received over the student's entire eligibility period, was $4,392. These data are presented in detail in Table 1. The following summary of that data was prepared by SSA.

> (M)edian length of entitlement to student benefits is projected to be 46 months. With 75% of the students aiming to complete 4 or more years of college and more than 80% having first received student benefits on the eighteenth birthday (as former child beneficiaries), what at first may

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[7]Miller, op. cit., p. 4.

# TABLE 1

Percentage distribution of student beneficiaries, by duration of benefit receipt, amount of benefits, and current and intended school level (projected)

| Benefit receipt and amount | Total | School level | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Current | | | | Highest intended | | |
| | | High school | Vocational or technical | College | | High school | Some post-secondary | 4 or more years of college |
| | | | | 2-year | 4-year | | | |
| | Duration of benefit receipt (in months) | | | | | | | |
| Total number (in thousands) | 588 | 126 | 41 | 103 | 317 | 52 | 89 | 447 |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1-12 | 5 | 15 | 12 | 1 | 1 | 32 | 7 | 2 |
| 13-18 | 4 | 10 | 11 | 4 | 2 | 22 | 7 | 2 |
| 19-24 | 5 | 8 | 13 | 8 | 3 | 17 | 15 | 2 |
| 25-30 | 8 | 14 | 13 | 8 | 5 | 12 | 26 | 4 |
| 31-36 | 6 | 10 | 9 | 6 | 4 | 11 | 17 | 3 |
| 37-42 | 7 | 6 | 8 | 7 | 6 | 3 | 12 | 6 |
| 43-48 | 29 | 17 | 7 | 24 | 38 | 1 | 8 | 36 |
| 49 or more | 36 | 20 | 27 | 42 | 41 | 2 | 8 | 45 |
| Mean months | 41 | 32 | 32 | 42 | 45 | 19 | 30 | 46 |
| Median months | 46 | 32 | 31 | 46 | 47 | 16 | 30 | 48 |
| | Benefit amount | | | | | | | |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 0-$999 | 7 | 20 | 12 | 4 | 3 | 36 | 10 | 4 |
| 1,000-1,999 | 13 | 21 | 21 | 12 | 7 | 35 | 23 | 7 |
| 2,000-2,999 | 12 | 14 | 15 | 14 | 10 | 16 | 20 | 10 |
| 3,000-3,999 | 13 | 10 | 10 | 12 | 15 | 7 | 16 | 13 |
| 4,000-4,999 | 14 | 11 | 11 | 11 | 16 | 4 | 14 | 14 |
| 5,000-5,999 | 11 | 6 | 14 | 13 | 12 | 1 | 9 | 13 |
| 6,000-6,999 | 11 | 5 | 4 | 11 | 13 | [1] | 5 | 13 |
| 7,000-7,999 | 9 | 4 | 6 | 7 | 13 | 1 | 2 | 12 |
| 8,000 or more | 11 | 8 | 7 | 15 | 11 | [1] | 1 | 14 |
| Mean amount | $4,556 | $3,347 | $3,710 | $4,766 | $5,079 | $1,645 | $3,165 | $5,172 |
| Median amount | 4,392 | 2,687 | 3,166 | 4,641 | 4,953 | 1,338 | 2,911 | 5,113 |
| Students intending to remain unmarried beyond age 21 | | | | | | | | |
| Mean months | 42 | 34 | 33 | 43 | 45 | 20 | 31 | 46 |
| Median months | 46 | 36 | 34 | 47 | 47 | 18 | 31 | 48 |
| Mean amount | $4,738 | $3,658 | $3,858 | $4,918 | $5,113 | $1,685 | $3,340 | $5,199 |
| Median amount | 4,595 | 3,030 | 3,663 | 4,912 | 4,993 | 1,334 | 3,147 | 5,161 |

[1]Less than 0.5 percent.

SOURCE: Social Security Bulletin, Sept. 1978, Vol. 41, No. 9, p. 14 (1972-73 Enrollment Data)

seem high becomes reasonable. Duration of entitlement is of course related to degree intentions. The medians range from 16 months for those planning to stop at the end of high school to 48 months for those pursuing at least a bachelor's degree. When those who intended to marry before reaching age 22 are excluded, the medians increase slightly, indicating the slightly lower educational aspirations of the members of the excluded group.

The student's current montnly benefit, adjusted for benefit increases, may be used to estimate the total benefits to a student. Compared with the distribution of benefit-receipt duration, that for benefit amounts is much less skewed. Many students received small benefits, often as a result of the application of the family-maximum rule. Nearly 40% of all students had their benefits reduced because of the maximum family benefit provision. The proportion was 50% for those in high school. The distribution of the cumulative benefit amounts ranged evenly from less than $1,000 to more than $8,000, the overall median was $4,392.

Differences in the duration of intended schooling are evident in the projected dollar amounts. Students seeking only a high-school diploma had a median of $1,338; the medians were $5,113 for those intending to complete 4 years or more of college and $2,911 for members of the group intending to complete some postsecondary education.[8]

Data from the same 1972-73 survey (SSA, 1973 Survey of Student Beneficiaries) were collected on differences in benefit amount and eligibility duration for whites and blacks (no other minority groups were differentiated in the study). While these data show no significant difference in duration of entitlement by race, they do show difference in average monthly and cumulative benefit

[8]Robert Hastings, Office of Researcn and Statistics, SSA, Social Security Bulletin, September 1978, Vol. 41, No. 9, pp. 11-12.

amounts. "Median cumulative monthly benefits for members of the predominantly white group were about $5,350, compared with nearly $4,000 for blacks."[9] While SSA asserted that the "progressive nature of the benefit structure certainly does not discriminate by race, the fact that benefits are earnings-based assures that the less-advantaged students' backgrounds will be reflected in the level of benefits."[10] This point is of consequence to the argument raised by critics of the program regarding its non-means-tested character. It appears from published accounts of the program that, in fact, a "reverse means test" exists in computing OASDI benefits. Benefit levels are determined by parent earnings. The child of parents who earned less (had lower family income) may therefore receive a smaller benefit than a child whose parent earned more (had higher family income).

While the non-means tested nature of Social Security student benefits has engendered criticism of the program, what data are available on the relationship between family income and Social Security student benefit amount show that these benefits remain largely constant as income increases. Benefits do not sharply increase with family income, according to data released in draft form by the Department of Education for academic year 1980-81 (see Table 2 below). The data show that neither do benefits decline with increase in family income. These same data show that average Pell

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[9]Ibid.

[10]Ibid.

TABLE 2

Distribution of Pell Grant Recipients Reporting Social Security Student Benefits by Family Income, Average Social Security Student Benefit and Pell Grant Academic Year 1980-81

| Family Income | Average Social Security Student Benefit | Average Pell Grant Award |
|---|---|---|
| $ 0 | $2,285 | $1,101 |
| 1 - 1,000 | 1,825 | 1,144 |
| 1,001 - 3,000 | 2,005 | 1,162 |
| 3,001 - 6,000 | 2,298 | 1,091 |
| 6,001 - 9,000 | 2,273 | 1,107 |
| 9,001 - 15,000 | 2,313 | 988 |
| 15,001 - 20,000 | 2,151 | 798 |
| 20,001 - 30,000 | 2,007 | 608 |
| 30,001 + | 1,848 | 486 |
| Total | $2,215 | $1,018 |

SOURCE: U.S. Department of Education, Office of Student Financial Assistance, Pell Grants: End-of-Year Report 1980-1981, draft, Table IIA.

Grant awards remain constant up to an annual family income of $15,000, then begin to decline with subsequent increases in family income.

Total program benefits have steadily increased in the Social Security student benefit program. These are shown below as total monthly benefits in Table 3. Total fiscal year 1980 program costs were "about $2 billion."[11] CRS reported that 794,000 students

[11]Miller, op. cit., p. 4.

enrolled in the program in December 1980, while SSA reported a December 1980 enrollment of 733,758 (see Table 3).

Estimates for total program costs in fiscal year 1981 or 1982 range from $2.0 billion to $2.4 billion. There is a measure of confusion in cost estimates for the program, as well as enrollment estimates noted above. This confusion seems to stem from the significant participant turnover rate in any given year. Thus, while GAO reported that 1,084,000 students overall received benefits in 1977-78, only 817,506 students participated in the program during the month of December 1978 (see Table 3: December 1977 enrollment not available). Only 60 percent of the 1,052,000 in 1972 were receiving benefits at the end of the year.[12]

Hastings discusses the dimensions and possible reasons for this turnover:

> Two-thirds of the benefit terminations resulted from the cessation of full-time school attendance. When terminations for reasons other than the age 22 cut-off are examined separately, the proportion attributable to the full-time enrollment requirement increases to 83%.
>
> A smaller proportion of the new awards (one-fourth to one-half) than of those currently payable at the end of the previous year (one-half to three-fourths) were still currently payable at year's end. Two distinct explanations for this turnover of new additions to the rolls are possible. First, children already enrolled in school when the entitling event (death, retirement, or disability) occurred may have soon completed their intended level of schooling or dropped out, conceivably in response to a variety of pressures initiated by the event. Second, short programs such as vocational

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[12]Hastings, op. cit., p. 3.

TABLE 3

SOCIAL SECURITY STUDENT BENEFIT PROGRAM:
ENROLLMENT AND COSTS

| End of Month of December | Student Participants | Monthly Benefits (millions) |
|---|---|---|
| 1965[a] | 205,677 | $ 13.7 |
| 1968[b] | 474,056 | 34.2 |
| 1969[b] | 498,015 | 36.0 |
| 1970[a] | 537,170 | 44.7 |
| 1972[b] | 634,481 | 69.6 |
| 1975[a] | 774,018 | 104.5 |
| 1978[a] | 817,506 | 140.0 |
| 1979[a] | 793,194 | 153.9 |
| 1980[a] | 733,758 | 167.2 |
| End of March 1981[a] | 879,880 | 199.0 |

SOURCES: [a] Social Security Bulletin, September 1981, Vol. 44, No. 9, p. 67.

[b] GAO, HRD-79-108, August 30, 1979, p. 12.

courses lasting from 3 to 5 months (that are likely to be missed in an end-of-year survey such as this one) would appear as an award and a termination in the same year.[13]

III. PARTICIPANTS

SSA reported that March 1981 enrollment for Social Security student benefits was 879,880. Of these, the largest proportion were children of deceased workers: 532,887 or 60.6 percent of all student beneficiaries. The remaining students were roughly equally divided between children of retired (166,845; 19.0 percent) and disabled (180,148; 20.5 percent) workers.[14] It will be remembered that children of deceased workers are eligible for a higher percentage (75 percent) of the parental benefit, than are those of retired or disabled parents (50 percent). This distribution has held constant since 1976.

GAO cited a Bureau of the Census survey which shows the distribution of 1976-77 recipients by family income level. This distribution is shown below in Table 4. It is not known, however, whether these reported family incomes include Social Security payments. Data in Table 4 show that 71.4 percent of student beneficiaries come from families with income below $15,000.

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[13]Ibid., pp. 3-4.

[14]Social Security Bulletin: Study of Emergency Assistance and Special Programs, September 1981, Vol. 44, No. 9, p. 67.

TABLE 4

SOCIAL SECURITY STUDENT BENEFICIARIES PERCENT DISTRIBUTION BY FAMILY INCOME, 1977-78

| Parental Income Range (1977 Dollars) | Percent of Student Beneficiaries |
|---|---|
| Less than $4,000 | 17.4 |
| $ 4,000 to 7,499 | 22.7 |
| 7,500 to 9,999 | 12.7 |
| 10,000 to 14,999 | 18.6 |
| 15,000 to 24,999 | 18.1 |
| 25,000 to 29,999 | 4.1 |
| 30,000 to 39,999 | 3.1 |
| 40,000 and over | 3.3 |
| Total | 100.0 |

SOURCE: Bureau of the Census, reported in GAO, HRD-79-108, August 30, 1979, p. 28.

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Listed below are age and type of school distributions for student beneficiaries for school year 1977-78.[15]

| Age | Percent of Students | |
|---|---|---|
| 18 | 34 | |
| 19 | 25 | |
| 20 | 21 | |
| 21 | 20 | TOTAL 100 |
| **Type of School** | | |
| Four-year college | 51 | |
| High school | 21 | |
| Two-year college | 18 | |
| Technical and vocational school | 5 | |
| Graduate school | 3 | |
| Business and secretarial school | 2 | TOTAL 100 |

[15]Data reported in GAO, op. cit. pp. 4-5.

Data from the Social Security Administration's survey of OASDI student beneficiaries show the breakdown of recipients by family income. These data show that a higher proportion of high school and non-college student recipients (61 percent) are concentrated in low income families (below $8,000) than are college-enrolled beneficiaries (39 percent). It should be remembered that these are 1973 income levels. A 1973 income of $8,000 equals a 1983 income of $14,327, assuming a modest annual inflation rate of 6 percent.

SSA reported the number of children, both student children and other entitled children, in families with a student beneficiary

TABLE 5

1973 OASDI STUDENT BENEFICIARIES
BY FAMILY INCOME AND SCHOOL LEVEL

Percent of Cases

| Family Income | High School and Noncollege Postsecondary | College |
|---|---|---|
| Less than $ 3,000 | 22% | 11% |
| $ 3,000 - 4,999 | 21% | 11% |
| $ 5,000 - 7,999 | 18% | 17% |
| $ 8,000 - 12,999 | 15% | 21% |
| $ 13,000 or More | 9% | 21% |
| Not Fully Reported | 14% | 19% |

Source: Social Security Bulletin, September 1978, Vol. 41, No. 9, p. 11.

member at the end of 1979. These data are presented in Table 6 below. They show that families with only student children beneficiaries generally support a single child. There were 444,913 such families reported in 1979, with 489,308 student children among them. Thus, at least 90 percent of these families supported a single child. Put another way, these families averaged 1.1 entitled children. Families with both student and other entitled children numbered 269,853. These included 303,877 student children and 430,101 children under age 18. A small number (11,170) of children qualified for support due to their disability. Expressed as an average number of entitled children, these families support 2.72 dependents, not counting disabled children. About two-thirds (62 percent) of all OASDI families with student beneficiaries have no other entitled children in the family group eligible for this benefit.

Few reliable data other than those reported above are available on current or recent beneficiaries. SSA conducted an extensive survey of 1973 student participants. However, the data reported from this survey pertain to participants two generations removed (i.e., eight years) from those currently enrolled in the program. Because little is known about changing patterns among OASDI beneficiaries, it would be unwise to specify current participant characteristics from the 1973 survey. The survey does, however, provide a detailed "snapshot" of the benefit population at the time, offering important documentation. It is unfortunate that a survey of this detail has not been conducted among more recent

# TABLE 6

Benefits in current-payment status for student-child families: Selected characteristics for family groups, at end of 1979

(Retired-worker family data based on 2.5-percent sample, survivor family data based on 4-percent sample and disabled worker family data based on 5-percent sample)

| Family classification | Families in which child beneficiaries consist of-- | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Student children only | | | | Student children and other entitled children | | | | | |
| | Number of families | Number of student children | Average primary insurance amount | Average monthly amount per family | Number of families | Number of student children | Number of children under age 18 | Number of disabled children | Average primary insurance amount | Average monthly amount per family |
| Total student-child families... | 444,913 | 489,308 | $346.70 | $399.40 | 269,853 | 303,877 | 430,101 | 11,170 | $347.30 | $600.80 |
| Retired-worker families..... | 108,208 | 115,994 | 371.00 | 536.80 | 39,795 | 32,875 | 43,053 | 2,225 | 335.40 | 563.00 |
| Worker and children..... | 99,290 | 106,953 | 369.00 | 527.20 | 7,255 | 8,066 | 10,296 | 850 | 332.00 | 563.40 |
| Worker, wife aged 62 and over, 1/ and children..... | 8,715 | 8,798 | 393.40 | 649.50 | 649 | 689 | 689 | 162 | 304.50 | 502.80 |
| Worker, wife under age 65, 2/ and children..... | 203 | 243 | 413.90 | 730.70 | 21,891 | 24,120 | 32,068 | 1,213 | 337.40 | 564.60 |
| Survivor families..... | 257,953 | 287,848 | 332.50 | 297.50 | 172,942 | 196,609 | 266,306 | 6,695 | 345.10 | 394.70 |
| Children only..... | 240,585 | 269,912 | 331.30 | 281.70 | 79,899 | 89,386 | 116,142 | 3,434 | 318.00 | 320.70 |
| Widowed or surviving divorced mother and children..... | 469 | 469 | 377.50 | 499.70 | 92,401 | 106,556 | 149,472 | 3,088 | 368.80 | 459.20 |
| Aged widow and children..... | 16,899 | 17,467 | 348.80 | 317.00 | 642 | 667 | 692 | 173 | 306.70 | 312.80 |
| Disabled-worker families..... | 78,752 | 85,466 | 359.90 | 544.40 | 67,116 | 74,393 | 120,742 | 2,250 | 338.20 | 633.50 |
| Worker and children..... | 77,560 | 84,274 | 359.50 | 543.20 | 22,722 | 24,986 | 36,486 | 891 | 324.90 | 573.10 |
| Worker, wife, and children..... | 1,192 | 1,192 | 387.10 | 625.40 | 44,394 | 49,407 | 84,256 | 1,359 | 375.20 | 664.40 |

1/ Wife's entitlement not dependent on having entitled children in her care.
2/ Wife's entitlement dependent on having entitled children in her care.

participants. For detailed review of these 1973 data, see Springer and Hastings.[16] Several findings from this survey are worth noting here.

OASDI student beneficiaries seem to come predominantly from working class backgrounds, and evidence either a strong attachment to or need for work. 76 percent worked at some time during the year. Among college recipients, the figure is even higher (80 percent), primarily due to summer employment.[17] Almost half the beneficiaries worked during the school year, in addition to their full-time studies. It may be presumed that pressing financial need drew such a large proportion of students to employment. This would not be surprising, given the high percentage of students from low income families in the program.

However, a number of those students who worked may reflect the values of their parents as well. Overall, two-thirds of student beneficiary fathers worked in blue collar or clerical ("low white collar") jobs. Table 7 shows the occupation of student beneficiaries' fathers. The concentration in working class occupations may signal an importance placed by the family on the value of work, and may account for some of the many student beneficiaries who work while studying.

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[16]Springer, op. cit.; Hasings, op. cit.

[17]Springer, op. cit., p. 18.

TABLE 7

PREENTITLEMENT OCCUPATION OF FATHER.
NUMBER AND PERCENTAGE DISTRIBUTION OF ALL STUDENT AND COLLEGE FRESHMEN BENEFICIARIES, BY BASIS FOR ENTITLEMENT, 1972-73 SCHOOL YEAR

| Preentitlement Occupation of Father[1] | Student Beneficiaries by Basis for Entitlement | | | |
|---|---|---|---|---|
| | All Students | | All Freshmen | |
| | Death of Parent | Retirement or Disability of Parent | Death of Parent | Retirement or Disability of Parent |
| Total number (in thousands)[2] | 366 | 104 | 81 | 19 |
| Total Percent | 100 | 100 | 100 | 100 |
| High white-collar | 34 | 21 | 34 | 20 |
| Professional, technical | 15 | 8 | 16 | 9 |
| Managers, officials, proprietors | 19 | 13 | 18 | 11 |
| Low white-collar | 14 | 9 | 15 | 9 |
| Clerical | 6 | 5 | 7 | 3 |
| Sales | 8 | 4 | 8 | 6 |
| Blue-collar | 47 | 63 | 46 | 60 |
| Craftsmen | 20 | 24 | 19 | 23 |
| Operatives | 16 | 20 | 17 | 17 |
| Service | 6 | 8 | 5 | 8 |
| Laborers | 5 | 11 | 5 | 12 |
| Farmers | 5 | 7 | 5 | 11 |

[1]Represents occupation before 1972 for deceased, disabled or retired father and current occupation for husband of deceased, disabled or retired mother.

[2]Excludes fathers for whom only the retirement occupation was known; fathers working in a job under disability rehabilitation program; fathers who were husbands of retired or disabled women and who did not work in 1972; fathers not members of the household in 1972; and those for whom occupation was not known.

SOURCE: Springer, op. cit.

The father's occupation is also related to the type of school the student attends. Springer comments:

> College students who are children of deceased workers are more likely to have had fathers with high white-collar jobs (professional, technical, or managerial) than are those in high schools or noncollege postsecondary schools--10 percent, compared with 19 percent and 18 percent, respectively. College students who are children of disabled or retired workers are also more likely to have had fathers with high white-collar jobs than those in the other two types of schools--27 percent, compared with 8 percent for the high school students and 14 percent for the noncollege students in postsecondary schools.[18]

Finally, the father's education was the single best predictor of educational intentions of student beneficiaries. A high school senior whose father had graduated college was more likely by 40 percentage points to want more education than one whose father had a grade-school education or less. Significantly, black recipients had a school continuation rate 20 percent higher than their white counterparts. This shows an impressive degree of motivation for college among black beneficiaries.

Hastings reviewed the interaction of a host of family background characteristics of the 1973 student population, and came to the following conclusions regarding enrollment and achievement in college:

> A set of family background factors--including the student's race and sex, basis of entitlement, and father's education and occupation--alone accounts for 67 percent of the variance explained by the total model for high school seniors. On the other nand, this set of factors accounts for less than 15

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[18]Ibid.

> percent of the variance for those in their final year of college. Socioeconomic background may have played a large role in the decision to attend college in the first place but postcollege behavior seems to be a function of the interests and ability of the student.[19]

Bandler summarizes Hastings' and Springer's findings in comparison to the college population at large:

> In terms of educational level, 20% of the college student social security population had fathers with an eighth-grade education or less, compared to only 11% of the general college student population. 35% of the college student social security population had fathers with less than a high school diploma compared with 22% of the general college population.
>
> In terms of occupational level, 48% of the college student social security population had fathers with "blue collar" occupations (craft, foremen, operators, laborers) compared to 20% of the general college student population. 14% of the college social security students had fathers with "low white collar" jobs (sales, clerical) compared to over 26% of the general college population. Only 31% of the college student social security population had fathers from "high white collar" occupations (professional, technical, managers, proprietors) compared to 48% of the general college student population. (Children of farmers were equally represented in both groups at 6%).[20]

On balance, OASDI student beneficiaries are poorer and more likely to come from working class families than students attending college without such benefit. Social Security students had a high degree of motivation for college, especially among blacks. They also contribute in large numbers to their own support through summer and school year employment.

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[19]Hastings, op. cit., p. 9.

[20]Bandler, op. cit., p. 4.

## IV. DELIVERY

OASDI student benefits are the exclusive responsibility of the Social Security Administration. They are entirely funded by the federal government. Eligibility, benefit amounts, monthly check disbursement and all other administrative details are conducted by SSA. Benefit checks are mailed directly to students, not to their families.

## V. THE INTERACTION OF OASDI AND TITLE IV STUDENT ASSISTANCE

### A. Data Sources

Frustratingly little is known about the interaction of Social Security student benefits with Title IV student aid programs. The National Association of Independent Colleges and Universities and the American Association of State Colleges and Universities have surveyed student aid packaging at private and public institutions respectively. However, the analysts directing these research efforts are pessimistic about the degree to which their data show the interaction of OASDI student benefits with other student aid. The Urban Institute maintains a computer model based on self-reported data of the Current Population Survey of the Bureau of the Census. Again, their analysts indicate that little if anything could be learned from this data file with respect to OASDI student benefits. Mathematica maintains anotner modelling capacity for program interactions, based on data from the 1976 Survey of Income and Education. This data file could be used to tabulate family income, OASDI receipt and Title IV receipt. The limited

resources of this study precluded such a tabulation from being run. Applied Systems Insitute maintains yet another file based on data reported by the Higher Education Research Institute of UCLA from the annual survey of first-time, full-time fresnmen. These data correlate OASDI receipt, Title IV receipt, level and control of institution attended and family income. However, they seriously underreport OASDI receipt. As a consequence, conclusions drawn from these data would be prone to a large error. The data maintained by SSA have been reviewed above. They do not correlate OASDI and Title IV student aid.

B. OASDI and Pell Grants

The best available data on the interaction of Social Security and Title IV student aid are maintained by the Office of Student Financial Assistance (OSFA) of the U.S. Department of Education. The chief limitation of this data base is that it only reports information for Pell Grant recipients who report OASDI student benefit receipt. No other Title IV program is included. However, the OSFA data do report on <u>all</u> Pell Grant/OASDI student recipients. They are not limited to a sample of the population. Table 8 summarizes the OSFA data with respect to family income, number and percent of OASDI student recipients, average Social Security grant and average Pell Grant.

The OSFA data available for this study come from uncorrected preliminary tables. These tables result in some discrepancies noted below. Discussion with OSFA staff indicate that the corrected tables eliminate these discrepancies.

TABLE 8

DISTRIBUTION OF PELL GRANT RECIPIENTS BY FAMILY INCOME AND SOCIAL SECURITY STUDENT BENEFITS REPORTED FOR ACADEMIC YEAR 1980-81

| Family Income | No. of Social Security Recipients | Percent of Total OASDI/Pell Recipients | Average OASDI Grant | Average Pell Grant |
|---|---|---|---|---|
| $ 0 | 5,095 | 1.83% | $2,285 | $1,101 |
| $ 1- 1,000 | 6,393 | 2.30% | $1,825 | $1,144 |
| $ 1,001- 3,000 | 36,104 | 12.99% | $2,005 | $1,162 |
| $ 3,001- 6,000 | 67,092 | 24.14% | $2,298 | $1,091 |
| $ 6,001- 9,000 | 46,186 | 16.61% | $2,273 | $1,107 |
| $ 9,001- 15,000 | 70,938 | 25.52% | $2,323 | $ 962 |
| $15,001- 20,000 | 29,943 | 10.77% | $2,151 | $ 798 |
| $20,001- 30,000 | 15,031 | 5.40% | $2,007 | $ 608 |
| $30,001 + | 1,131 | 0.40% | $1,848 | $ 486 |
| TOTAL STUDENTS | 277,913 | 100.00% | $2,215 | $1,018 |
| TOTAL INDEPENDENT STUDENTS | 19,082 | 6.87% | $2,655 | $1,312 |
| TOTAL DEPENDENT STUDENTS | 189,369 | 68.14% | $2,224 | $ 924 |

Source: OSFA, USDE, Pell Grants End-of-Year Report, 1980,81, Table 11A, uncorrected preliminary research tables.

A total of 277,913 1980-81 Pell Grant recipients reported receiving OASDI student benefits. This represents 10.3 percent of all Pell Grant recipients (2,707,932) for that year (source: OSFA). A similar percentage (13 percent) was reported for 1978-79,

with 245,434 OASDI recipients qualifying for Basic Grants out of 1.89 million Basic Grant recipients for that year (source: OSFA). Of 1980-81 recipients, OSFA reports 189,369 dependent students, or 68 percent of OASDI/Pell Grant recipients. Only 19,082 independent OASDI recipients are reported in these draft figures, or 6.9 percent of the total. These OSFA data do not total 100 percent. For 1978-79, 206,838 or 84.3 percent of OASDI/Basic Grant recipients were dependent students, with 15.7 percent reported as independent students. The percentage of dependent Pell Grant students receiving OASDI in 1980-81 is roughly equal to the overall percentage of dependent Pell Grant students (63.3 percent in 1978-79).[21] However, the percentage of 1978-79 OASDI/Basic Grant recipients who declared dependent status (84.3 percent) is much higher than the overall percentage of dependent Basic Grant recipients (63.3 percent) for that year.

According to these data, as many as a third of OASDI/Pell Grant recipients have no family support. Loss of OASDI benefits to these students will seriously impede their continued college enrollment.

Several other factors are worth noting from the OSFA data on OASDI/Pell Grant recipients. The large majority (83 percent) of Social Security student beneficiaries in the Pell Grant program are from families with less than $15,000 annual income. For this group,

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[20] Bandler, op. cit., p. 4.

[21] U.S. Department of Education, Office of Student Financial Assistance, Basic Grants End-of-Year Report 1978-79, pp. 12-13, April, 1980.

the average Pell Grant remains constant at roughly $1,100. It is only for students with family incomes above $15,000 that the Pell Grant award begins to noticeably decline. 94 percent of OASDI/Pell Grant recipients come from families with less than $20,000 annual income.

Strikingly, the OSFA data also show that no category of OASDI recipient by either family income or OASDI student benefit level received the maximum Pell Grant award of $1,750. In fact, while the average Pell Grant for all OASDI/Pell Grant recipients was $1,018, the highest Pell Grant awarded does not exceed $1,200, even for students from the poorest families. When individual students are considered separately, their average Pell Grant is $1,312, with the highest grants awarded of $1,571. For dependent students, Pell Grants are lower than the average for all OASDI/Pell Grant recipients. The average Pell Grant for these students was $924 in 1980-81, with the highest awards of $1,035 recorded for dependent recipients. In no case do the OSFA data report OASDI/Pell Grant student beneficiaries receiving the maximum Pell Grant award of $1,750 for 1980-81. Table 9 summarizes average Pell Grant sizes for categories of OASDI/Pell Grant students.

A second striking feature of the OFSA data is that the average Pell Grant award is virtually constant when compared to the amount of the OASDI student benefit. This is illustrated in Table 10 below. These data may be interpreted to mean that in 1980-81 the Pell Grant Family Contribution Schedule (FCS) was largely neutral with respect to OASDI student benefit amounts.

TABLE 9

AVERAGE PELL GRANT AWARDS FOR
OASDI/PELL GRANT BENEFICIARIES

| Student Category | Number of Students | Average Pell Grant |
|---|---|---|
| Independent Students | 19,082 | $1,312 |
| Dependent Students | 189,369 | $ 924 |
| All Students | 277,913 | $1,018 |

Source: OSFA, USDE, Pell Grants End-of-Year Report, Draft, Tables 11A, 11B, 11C. The discrepancy between the dependent/independent student category totals and the total for all students results from the uncorrected preliminary research tables available for the current study from OSFA.

TABLE 10

AVERAGE PELL GRANT AWARDS BY OASDI GRANT AMOUNT
FOR OASDI/PELL GRANT RECIPIENTS, 1980-81

| OASDI Award | No. of OASDI/ Pell Grant Recipients | Average Pell Grant | Average OASDI OASDI Grant |
|---|---|---|---|
| $ 1- 300 | 11,081 | $1,048 | $ 196 |
| $ 300- 600 | 19,370 | $1,062 | $ 463 |
| $ 600- 900 | 22,850 | $1,060 | $ 765 |
| $ 900-1,200 | 24,831 | $1,048 | $1,070 |
| $ 1,200-1,500 | 24,503 | $1,030 | $1,368 |
| $ 1,500-1,750 | 26,410 | $1,043 | $1,655 |
| $ 1,800-2,100 | 23,368 | $1,033 | $1,961 |
| $ 2,100-2,400 | 25,271 | $1,011 | $2,259 |
| $ 2,400-2,700 | 20,300 | $1,001 | $2,550 |
| $ 2,700-3,000 | 18,294 | $ 997 | $2,866 |
| $ 3,000 + | 61,635 | $ 964 | $4,480 |
| TOTAL | 277,913 | $1,018 | $2,215 |

Source: OSFA, USDE, op. cit., Draft.

C. Treatment of OASDI as Student Aid Rather than Family Income.

An important change in the treatment of Social Security student benefits by the FCS will drastically change the neutrality noted above. Prior to this change, Social Security student benefits were treated as family income by the FCS. They were subject to standard offsets (e.g., taxes paid, family size, assets), and then assessed at a rate of 12 percent to 25 percent depending upon the size of the family income, and subtracted from the cost of college as the expected family contribution. The result, as can be seen from Table 10, is that the FCS was largely neutral with respect to OASDI award levels in determining Pell Grant awards.

With the passage of the Third Continuing Resolution for Fiscal Year 1982 (P.L. 97-92), Congress in effect established the FCS for 1982-83. This FCS changes the treatment of Social Security student benefits. Rather than counting these benefits (as well as veterans' education benefits) as family income they will not be counted as student aid. The addition of Social Security student benefits to Pell Grants may not exceed the cost of college. The Reagan Administration had proposed a more drastic change which would have subtracted Social Security student benefits directly from the maximum Pell Grant award. Under the enacted FCS, as cost of attendance increases, the Pell Grant is less likely to be reduced.

Nevertheless, OASDI/Pell Grant recipients will experience a severe cut in their Pell Grants as a result of this change. OSFA notes, for example, that a student whose cost of attendance is $3,575, whose Student Aid Index is zero and who receives a $3,000

OASDI student benefit, would have received between $1,674 and $1,788 in 1982-83 Pell Grant assistance under precious Payment Schedules. Under this change, however, "the student's Expected Disbursement, regardless of Payment Schedule, would be $575."[22] This constitutes a loss of $1,099 to $1,213 in student assistance in this instance. This change will be especially severe for students attending lower cost institutions, who tend to come from lower income backgrounds.

However, a telephone interview with Joe Vignone of OSFA indicated that the Department of Education will not treat Social Security student benefits as either student aid of family income for 1983-84. Vignone cited a December, 1982 "Dear Colleague" letter from Jim Moore and Ed Elmendorf of OSFA which informs aid administrators that "(t)he 1982-83 requirement that these (Social Security student) annual benefits be considered in calculating an applicant's Pell Grant is no longer in effect." The 1982 Technical Amendments for student aid (P.L. 97-301) does not authorize OSFA to deduct Social Security student benefits from the cost of college attendance, as did the Third Continuing Resolution (P.L. 97-92) for academic year 1982-83.

D. OASDI Beneficiaries Not Receiving Pell Grants

One final comparison from available data is instructive. A surprisingly large number of low income Social Security student beneficiaries do note receive any Pell Grant assistance. 83 percent of Social Security/Pell Grant receipients (230,688) come from families with less than $15,000 (1981 dollars) annual income.

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[22]USDE, OSFA, Pell Grant Payment Scheudle 1982-83 Revised, October, 1982, p. 2.

However, as noted in Table 4, GAO reported that 71.4 percent of 1977-78 Social Security student beneficiaries came from families with less than $15,000 (1977 dollars) annual income. Applying this same percentage to all Social Security recipients in December, 1980 (733,758) and March, 1981 (879,880) yields a reasonable estimate of student beneficiaries with family incomes below $15,000 in 1980-81.[23] These estimates range from 523,903 for December, 1980 to 628,234 for March, 1981. Subtracting the number of students with family incomes below $15,000 who received both Social Security and Pell Grant awards in 1980-81 from these estimates indicates how many low income Social Security student beneficiaries do not receive Pell Grants. It is a large number: 263,292 based on December, 1980 enrollment, and 367,623 based on March, 1981 Social Security student enrollment.

Why do so many Social Security student beneficiaries from low income backgrounds not receive Pell Grants? There are several possible answers. They may not have applied for Pell Grants, thinking themselves ineligible because of their OASDI grant. They may have applied, but their cost of attendance was too low to warrant a Pell Grant. They may be independent students with "high" income (even though less than $15,000), disqualifying them for a Pell Grant. The family's assets may be too high. Among these possible reasons, which ones are likely to be correct?

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[23]SSA, September, 1981, op. cit., p. 67.

[24]GAO, op. cit. p. 44.

GAO reported that 93 percent of the independent students receiving OASDI who applied for Basic Grants in 1976-77 were denied because their income was too high.[24] GAO neglected to indicate how many such individuals existed. However, given the family-based nature of the Social Security entitlement, it is likely that the number is small indeed, and that most independent Social Security recipients who applied for Pell Grants qualified for support. Even this number is small, however: 19,082 in 1980-81, or 6.9 percent of Social Security/Pell Grant recipients.

Prior to the change in the treatment of Social Security student benefits from family income to student assistance, the cost of attendance would not have had a large effect on low income student eligibility for Pell Grants. As noted, with the change it now most certainly will affect Pell Grant eligibility. GAO reported that 26 percent of dependent Social Security student applicants for Basic Grants in 1976-77 were disqualified by high parent assets.[25] It seems likely therefore that most low income Social Security student beneficiaries who do not receive Pell Grants do not apply for them. In fewer cases, the student's college costs may be extremely low, the family's assets may be extremely high, or the student may be independent with a "higher" income near $15,000.

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[24]GAO, op. cit. p. 44.

[25]OSFA, 1979, op. cit. p. 47.

## VI. EFFECTS ON COLLEGE OPPORTUNITIES OF PHASING OUT OASDI STUDENT BENEFITS

Social Security student benefits provide significant support for students to pursue their college ambitions. 36 percent of 1973 college recipients reported they could not afford to remain in college without their Social Security benefits. Another 16 percent reported uncertainty about their ability to continue in college without the benefit. These two groups together totalled more than 218,000 students in that year.[26] Without OASDI benefits, student beneficiaries whose parent was deceased are more likely to drop out of college for lack of financial support than children of retired or disabled parents (40 percent to 30 percent, respectively), according to the self-reported student data. Table 11 shows the distribution of student beneficiaries and their likelihood of continuing their education without OASDI benefits.

OBRA eliminated Social Security student benefits. As of May 1, 1982, no new beneficiaries will be added to the program. Those receiving benefits prior to September 1981 may continue to do so until their twenty-second birthday, their graduation, or April 1985, whichever comes first. They must maintain full-time enrollment. However, benefits for current OASDI recipients will be sharply reduced in four ways:

1. SSA will no longer make payments during the summer months of May through August. This will effectively reduce current participant benefits by 25 percent.

2. Their annual benefits are additionally reduced by 25 percent each year. That is, 1982 benefits will be 50 percent lower than the previous year; 1983 benefits will be 66 percent lower, 1984 benefits will be 83 percent lower than the 1981 level. No benefit checks will be issued after April 1985.

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26. Springer, op. cit., p. 11.

# TABLE 11

Student beneficiaries reporting on likelihood of school attendance without benefits: Number and percentage distribution of student beneficiaries, by type of school and sex, 1972-73 school year

| Likelihood of school attendance without benefits | All student beneficiaries | | | Student beneficiaries, by basis for entitlement | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Death of parent | | | Retirement or disability of parent | | |
| | Both sexes | Male | Female | Both sexes | Male | Female | Both sexes | Male | Female |
| | Total | | | | | | | | |
| Total number (in thousands)[1] | 588 | 307 | 281 | 401 | 210 | 191 | 187 | 97 | 91 |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Not in school | 33 | 31 | 36 | 35 | 34 | 36 | 28 | 25 | 31 |
| Maybe, don't know | 14 | 14 | 11 | 15 | 15 | 13 | 13 | 13 | 14 |
| In school | 52 | 55 | 50 | 49 | 51 | 47 | 59 | 62 | 55 |
| | High school | | | | | | | | |
| Total number (in thousands) | 126 | 80 | 46 | 83 | 52 | 31 | 43 | 28 | 15 |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Not in school | 16 | 17 | 15 | 16 | 16 | 16 | 17 | 18 | 15 |
| Maybe, don't know | 8 | 8 | 8 | 9 | 9 | 9 | 6 | 6 | 7 |
| In school | 76 | 75 | 77 | 75 | 75 | 75 | 77 | 76 | 78 |
| | College | | | | | | | | |
| Total number (in thousands) | 420 | 211 | 209 | 299 | 147 | 152 | 121 | 64 | 57 |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Not in school | 36 | 35 | 38 | 40 | 38 | 41 | 30 | 27 | 33 |
| Maybe, don't know | 16 | 17 | 16 | 17 | 18 | 16 | 15 | 15 | 15 |
| In school | 47 | 48 | 46 | 43 | 44 | 43 | 55 | 58 | 52 |
| | Noncollege postsecondary | | | | | | | | |
| Total number (in thousands) | 41 | 15 | 27 | 29 | 11 | 18 | 13 | 4 | 9 |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Not in school | 54 | 54 | 55 | 57 | 59 | 56 | 49 | 41 | 53 |
| Maybe, don't know | 13 | 14 | 13 | 12 | 10 | 13 | 16 | 24 | 12 |
| In school | 32 | 32 | 32 | 31 | 31 | 31 | 35 | 36 | 35 |

SOURCE: Springer, op. cit., p. 20.

3. No cost of living increases will be made to benefit levels.

4. Social Security student benefits will be counted as student aid rather than family income, significantly reducing Pell Grant awards to OASDI student recipients in 1982-83.

Thus, a student receiving the average 1980 annual benefit of $3,072 will (1) lose $1,024 through loss of summer benefits, and (2) have his or her 1982 payment reduced by another $512 for the 25 percent reduction. This represents a total loss of at least $1,536 or 50 percent of the prior year's benefit. Table 12 shows these reductions for 1981-1982 beneficiaries through 1985. Heavy reductions will occur for students from families with one dependent beneficiary (about 400,000 families as noted above). Families with more than two dependent beneficiaries (about 250,000 families) are likely to maintain their overall maximum grant, despite the loss of Social Security benefits to 18-22 year old student members of the family.

TABLE 12

OASDI Student Benefit Reductions for Selected Benefit Levels

| 1981-82 Benefit | 1982-83 Benefit | 1983-84 Benefit | 1984-85 Benefit |
|---|---|---|---|
| $3,072[1/] | $1,536 | $1,024 | $ 512 |
| 2,215[2/] | 1,107 | 738 | 369 |

1. Average annual OASDI student benefit in December, 1981
2. Average annual OASDI student benefit for OASDI/Pell Grant receipients in 1980-81.

In addition, as noted in Part V, OASDI/Pell Grant recipients experience a reduction in their Pell Grant as well by counting OASDI grants as student aid in 1982-83. Those attending lower cost schools will lose a higher proportion of their Pell Grant as a result of this change.

The extent to which reduced benefits for current recipients and the elimination of any new recipients restrict access to college is extremely uncertain. The Reagan Administration, together with GAO, argue that the existing student financial aid programs of the Higher Education Act offer sufficient financial assistance to assure access to college for those students who lose OASDI benefits. Other analysts are much less sanguine about the ability of these programs to provide the necessary support for college attendance to the more than one million students supported annually by OASDI.

One key issue of difference among analysts is the increase in Pell Grants needed to absorb increased demand for that program from the disinherited OASDI population. There exists substantial confusion over how much current OASDI/Pell Grant recipients will have their Pell Grants increased. For those students already at the maximum Pell Grant level, the loss of OASDI benefits cannot be replaced at all. However, the larger budget question is how much money will be needed to replace lost OASDI support for current and newly eligible Title IV recipients.

SSA has published revised Administration estimates for the savings achieved by phasing out Social Security student benefits. SSA lists these under three alternative assumptions regarding economic conditions: "robust," "less robust," and "worst case." The following table summarizes the Administration's estimates.

OASDI Savings Resulting from
Phasing Out Student Benefits (in Billions)

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| "Robust" Assumption | $.911 | $1.689 | $2.173 | $2.406 | 2.492 |
| "Less Robust Assumption | .915 | 1.715 | 2.260 | 2.570 | 2.730 |
| "Worst Case" Assumption | .935 | 1.815 | 2.450 | 2.860 | 3.100 |

Source: SSA, John A. Svahn, Social Security Bulletin, October 1981, Vol. 44, No. 10, reprint pp. 21-22.

While at least $1.0 billion in savings from eliminating OASDI student benefits was projected by the Reagan Administration in fiscal year 1982, revised Administration requests for an increase in Pell Grants to accommodate students formerly eligible for OASDI totaled $56 million for that year. The $2.225 billion in savings in fiscal year 1985 projected by the Administration was replaced with a request to increase Pell Grants $100 million. Miller summarizes the confusion over Pell Grant cost estimates resulting from the phase-out of Social Security student benefits:

> In testimony before the House Education and Labor Subcommittee on Postsecondary Education on March 11, Secretary of Education Terrel H. Bell presented different and larger estimates of the increase in Pell Grant costs resulting from the Reagan proposal to eliminate the Social Security student benefit: $41 million in FY81 (rather than no increase) and $56 million in FY82 (rather than $30 million). Others believe the increases in Pell program costs could be even larger. In a 1979 report, GAO estimated that BEOG (Pell) program costs would be increased by $230 million in FY85 by a proposal to eliminate all Social Security postsecondary student benefits. In a 1977 report, CBO estimated that BEOG (Pell) costs would increase about $180 million per year.
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> The large discrepancy between these various estimates of the possible BEOG offset or "Pell offset" probably reflects differing views about how many new Pell Grant recipients will result from the elimination of social security student benefits. It is a fairly straightforward matter to predict how much Pell program costs will increase as a result of increased grants to the $1800 maximum grant.

> There seems to be general agreement that this increase will be small, since many social security student beneficiaries who receive Pell Grants already receive grants at or near the $1800 limit. It is much less clear how many new Pell Grant recipients will result from the elimination of the social security student benefits. 27

As we have noted, Miller is in error when asserting that "many Social Security student beneficiaries who receive Pell Grants already receive grants at or near the $1,800 limit. Miller is also in error with respect to the GAO estimates for Pell increases needed to offset the loss of Social Security student benefits. GAO estimated the following increases in costs to Pell Grants:[28]

| | |
|---|---|
| 1981 | $ 97 m |
| 1982 | $170 m |
| 1983 | $211 m |
| 1984 | $245 m |
| 1985 | $230 m |

These GAO estimates are based on unspecified U.S. Office of Education estimates. Elsewhere in its report, with no discernible basis, GAO estimated increased Pell Grant costs at $288 million.

While urging the discontinuance of Social Security student benefits for those in college, GAO simultaneously called upon Congress to "take the necessary steps to assure (the Department of Education) will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits."[29] GAO estimated the cost to student financial aid programs of such increased demand to be $288 million, though no basis for the figure can be discerned from their report.[30] GAO

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27. Miller, op. cit., p. 9
28. GAO, op. cit., p. 31.
30. Ibid., p. 33.

further reported, using data from a Fall 1976 Office of Education survey of OASDI recipients, the following percentages of Social Security student beneficiaries receiving additional assistance from a variety of student aid sources or from student employment.[31] The amount of support from these sources is not specified.

| | |
|---|---|
| Pell Grant | 35 percent of OASDI recipients |
| SEOG | 11 percent |
| CWS | 17 percent |
| NDSL | 12 percent |
| GSL | 10 percent |
| State grants | 23 percent |
| College grants | 18 percent |
| Private grants | 11 percent |
| College loans | 6 percent |
| Other loans | 5 percent |
| Part-time work | 57 percent |
| Full-time work | 7 percent |

It is significant to note that by far the most common source of support for OASDI students (after family support for 67 percent of recipients) was part-time student employment. Median 1972-73 earnings from student employment were $980 in 1973 dollars.[32] The next largest group was Pell Grant recipients at 35 percent of all OASDI beneficiaries. This figure is roughly consistent with SSA/OSFA-reported data for 1978-79 and 1980-81. These data show 37.9 percent of OASDI student beneficiaries received Pell Grants in December, 1980, 31.6 percent in March, 1981, and 30.0 percent in December, 1978.

Estimating the true cost in Pell Grants to replace lost Social Security student benefits for low income students is complicated by poor available data, the complexity of the programs' interaction,

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31. Ibid., p. 42.
32. Miller, op. cit., p. 5.

and the recent change in the treatment of OASDI benefits in the Pell Grant FCS. Given the time and financial constraints regarding increased Pell Grant cost for different categories of OASDI student beneficiaries. These students can be identified, however.

As we have seen, phasing out Social Security student benefits results in sharp reductions for current beneficiaries. For current OASDI/Pell Grant recipients, the loss of 50 percent to 83 percent of the Social Security benefit between 1982 and 1985 will qualify the student for a significantly higher Pell Grant. Low income OASDI student beneficiaries who formerly did not qualify for Pell Grants will become newly eligible for that program as they lose their Social Security support. Lastly, low income high school students who have lost the future support of OASDI student benefits will qualify for larger Pell Grants than they would have in combination with OASDI support.

OASDI student benefits under the Pell Grant FCS will significantly offset these increased costs. It is important to note, however, that while total Pell Grant costs may not increase significantly due to this change, the students themselves face a double penalty: (1) loss or reduction of OASDI support; (2) reduction of Pell Grant support. Furthermore, the increased demand must be considered on other Title IV student aid programs resulting from the elimination of OASDI student benefits. The available data on the interaction of OASDI with these programs are so poor that no estimates may be responsibly made.

The financial effects of OASDI recipient families will also be severe. Based on 1979 SSA data, about 400,000 families who receive OASDI benefits will lose the student benefit as a result of OBRA.

Their benefits will not be made up by another dependent for the overall Social Security family grant. A group of about 60,000 independent Pell Grant students receiving OASDI will lose their benefit or have it reduced, with little to no replacement aid available.

An additional 269,853 families supporting a family member in college with OASDI assistance will likely not have their total family grant significantly reduced. While these families support 303,877 children in school, they also support an additional 430,101 children under age 18 whose OASDI benefits will not be lost as a result of the OBRA change. Because student beneficiaries receive their OASDI check directly, these 303,877 students will "lose" tneir benefits. The entire family grant, however, should not be reduced in most cases for these 269,853 families.

When the elimination of Social Security student benefits is viewed together with the Reagan Administration fiscal year 1983 budget requests for the six major federal student financial assistance programs, a certain irony emerges. That budget request included a nearly $1 billion reduction in Pell Grants, eliminated SEOG, eliminated SSIG, and further reduced aid in all other programs except the NDSL program. It is unclear how the federal student financial aid programs, with these proposed reductions, can fulfill GAO's admonition to "assure OE will have sufficient financial resources to meet any increased demand for aid arising from discontinuance" of OASDI benefits. Nor are the effects of increased college costs considered in this discussion, even though some schools have instituted tuition and fee increases of 14 percent over

last year's levels (College Board). The above discussion indicates that eliminating Social Security student benefits constitutes a serious breach in the college opportunities of low income students who were formally eligible for this program. It is clear that neither current appropriations nor past Administration requests for Title IV programs come close to compensating these needy students for their lost aid.